COMPANY UPDATE

Uzma (UZMA MK)

Benefits From Satellogic's Disruptive Business Model

We analysed and view Uzma's depressed valuation as unjust, presenting an opportunity to accumulate as the space industry is alien to the local market. In that regard, having Satellogic remain committed as its technology partner benefits Uzma massively. Retain BUY, target price: RM0.76.

WHAT'S NEW

- **Diversification is bearing fruit of higher long-term recurring income mix.** To recap, Uzma's orderbook grew by >30% over three months to RM4.1b in Apr 25. The bulk of the ytd orderbook win of RM1.4b was primarily O&G or PS segment driver. We also understand that offshore activities (focusing on production enhancement) had recovered despite the Petronas-Petros issue that was still ongoing/key projects that contribute to FY26 earnings including: a) the second water injection facility (SARA-WIF; deployment likely only in early-26); b) full-year contribution from the 50MW Large Scale Solar (LSS4) project in Kedah, and at least three quarters of earnings from a 50%-owned 12MW Negeri Sembilan solar farm; and c) full-year contribution from the acquisition of seismic data.

- **Expected to recognise more from smaller projects.** One example in its energy trading division that includes distribution of liquefied natural gas (LNG) via Virtual Pipeline System (VPS), urea exports to the Philippines and jet fuel exports to Papua New Guinea. Via its VPS platform, Uzma recently established a track record in developing a small LNG Regas Facility under a full Engineering, Procurement, Construction and Commissioning scope. For its solar segment, Uzma is moving to install solar panels across 100 Petronas stations for Gentari (to recap, Solarvest had a similar contract for 300 Petronas stations). Also, we believe Uzma will soon support Brunei's energy transition (Brunei has a 2025 target of 200MW of installed solar capacity).

- **Two-year seismic and a potential ESP contract may be material earnings contributors.** The contract is expected to contribute to earnings from Aug 25 (or FY26). Although Uzma will earn thin margins (we assume 3%) as project manager, it previously guided that the total revenue for the two-year period may hit US$200m (US$270,000/day). The contract allows Uzma to provide value-added offerings. This implies that the seismic contract may have potential to be around 20% of the group's earnings base. Uzma identified the Middle East as a key strategic new market to penetrate, via its Electrical Submersible Pumps (ESP) technology. We understand that a trial run is scheduled in early-26. We currently do not factor in this ESP opportunity.

KEY FINANCIALS

Year to 30 Jun (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	474	600	704	984	871
EBITDA	**63**	**84**	**80**	**99**	**108**
Operating profit	**63**	**61**	**51**	**65**	**68**
Net profit (rep./act.)	51	52	43	55	57
Net profit (adj.)	45	50	43	55	57
EPS (sen)	10.0	11.2	7.4	9.3	9.7
PE (x)	4.1	3.7	5.6	4.4	4.2
P/B (x)	0.4	0.3	0.4	0.4	0.3
EV/EBITDA (x)	8.3	8.9	7.9	7.7	7.0
Dividend yield (%)	-	2.4	4.9	7.3	9.8
Net margin (%)	11.8	8.3	6.2	5.6	6.6
Net debt/(cash) to equity (%)	70.4	103.2	103.5	113.4	121.5
Interest cover (x)	6.3	6.7	4.4	4.2	3.6
ROE (%)	12.0	9.9	8.3	10.1	10.3
Consensus net profit	-	-	43	55	61
UOBKH/Consensus (x)	-	-	1.00	1.00	0.90

Source: Uzma, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.41
Target Price	RM0.76
Upside	+84.7%

COMPANY DESCRIPTION

Uzma is an oil & gas (O&G) company that provides integrated reservoir services to upstream players. Its most recent restructuring places the O&G business into: a) well services (WS), b) production services (PS), and the non-O&G* business that comprised of three subsegments ie i) new energy, ii) energy trading and iii) digital earth.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	UZMA MK
Shares issued (m):	588
Market cap (RMm):	241.4
Market cap (US$m):	50.4
3-mth avg daily t'over (US$m):	1.0

Price Performance (%)

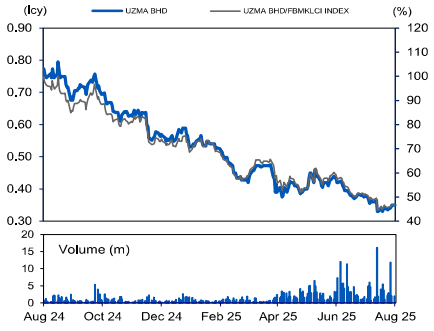
52-week high/low RM0.93/RM0.37

1mth	3mth	6mth	1yr	YTD
0.0	(26.1)	(26.1)	(49.8)	(29.0)

Major Shareholders	%
Tenggiri Tuah	25.4

FY25 NAV/Share (RM)	1.38
FY25 Net Debt/Share (RM)	0.36

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Next event catalyst: PSPJN concession terms.** We do not know exactly why Uzma's share price had been in one of the most depressed levels of 3-4x PE, except perhaps due to a combination of factors such as sector sentiment, high gearing (boosted from 0.7x to 1.2x, but backed by long-term project), and concerns on overleveraging into the space industry. Following Uzma's first satellite, UzmaSAT-1 was launched in Jan 25. There were high market expectations for Uzma to sign a government concession for Malaysia's first national remote sensing satellite, dubbed as Pembangunan Satelit Penderiaan Jauh Negara (PSPJN)
- It will be likely an eight-year build-operate-transfer model, with three years to develop the satellite, and five years of operations, with commissioning expected in 2028. Uzma's concession also requires it to train local talent, as well as execute knowledge and technology transfer by assembling satellites at Malaysia's Satellite Assembly. According to Malaysia's National Space Policy 2030 road map, the nation's goal is for the entire aerospace sector to contribute RM10b in gross domestic product each year, and to provide 5,000 employment opportunities.
- **Having Satellogic as its technology partner is a massive advantage for Uzma to develop as a space industry player.**
- **ESG update: MARSYA WIF major overhaul completed in Mar 25.** The group had earlier identified an issue of an increase in diesel consumption in its first WIF (working at the D18 field). The overhaul was done to enhance the reliability of the primary power generation unit, and hence reduce the reliance on backup power generation (which burns diesel fuel).

EARNINGS FORECASTS/ RISKS

- **Retain earnings forecasts.** Although Uzma's orderbook is beyond our expectation, most of the contracts are individually small relative to group earnings, unlike LSS4 and the WIF contracts.

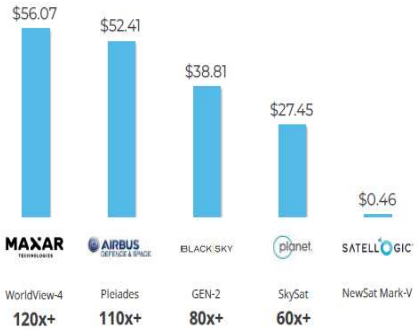
VALUATION/RECOMMENDATION

- **Retain BUY; target price of RM0.76** at unchanged 8x PE. Despite the earnings risks, we see value now as the O&G orderbook remains strong, although we think markets are pricing Uzma at a hefty discount to account for fund-raising risks, hence we advise a wait-and-see approach as it will take time for earnings delivery and its long-term ESG investment theme (remote sensing satellite, battery energy storage system, solar) to be translated into share price gains.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• **Environmental**
- **Carbon (CO2) reduction.** Uzma is clearly serious about net-zero carbon targets, in line with the point below.
- **Clear non-O&G diversification roadmap.** Non-O&G targeted to be 40% of revenue mix by FY25. Long-term target revenue generation from solar at >RM1b beyond 2030.
• **Social**
- **Diversity.** >20% female proportion among 880 staff force.
- **Safety (HSE).** Lost Time Injury Frequency (LTIF) remains low at almost 0.
• **Governance**
- **Five out of eight board members are independent,** with wide industry expertise.

SATELLOGIC ACQUISITION COSTS VS PEERS



**Note: Acquisition costs per km2 in US$*
Source: Satellogic

NEW CONTRACTS (AFTER MAR 25) *

Contract, client	Tenure
Non-Rig Assisted (NRA) Electric Wireline Logging (EWL) for Petronas Carigali	3 years, eff 26 Mar 25
Marine Streamer and Ocean Bottom Seismic (OBS); 2D/3D/4D Seismic Data Services For Petronas Carigali	2 years, announced in May 25
Pumping, well unloading, well optimisation (Vestigo)	RM20m
Secondary cementing services (P.Carigali)	RM30m
Integrated well intervention and project management (Enquest)	RM23m
Various Thailand project (PTTEP)	RM9.2m
Others (MECAS, RM7m; Enquest, RM13.6m; Vestigo, RM0.9m)	

** Note: Not part of RM4.1b orderbook*
Source: Uzma

PROFIT & LOSS

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Net turnover	**600**	**704**	**984**	**871**
EBITDA	84	80	99	108
Deprec. & amort.	(52)	(64)	(67)	(67)
EBIT	61	51	65	68
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	0	4	6	9
Net interest income/(expense)	(20)	(33)	(39)	(48)
Pre-tax profit	**61**	**51**	**65**	**68**
Tax	(7)	(6)	(8)	(9)
Minorities	(4)	(2)	(2)	(2)
Net profit	**52.4**	**43**	**55**	**57**
Net profit (adj.)	50.0	43	55	57

BALANCE SHEET

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Fixed assets	267	544	801	747
Other LT assets	68	86	120	106
Cash/ST investment	132	290	262	361
Other current assets	469	919	1,182	1,214
Total assets	**1,516**	**1,867**	**2,174**	**2,230**
ST debt	155	427	597	529
Other current liabilities	268	278	379	477
LT debt	364	389	394	391
Other LT liabilities	42	42	42	42
Shareholders' equity	612	644	681	715
Minority interest	33	46	39	33
Total liabilities & equity	**1,516**	**1,867**	**2,174**	**2,230**

CASH FLOW

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Operating	**77**	**86**	**3**	**125**
Pre-tax profit	61	51	65	68
Tax	(7)	(6)	(8)	(9)
Deprec. & amort.	52	64	67	67
Working capital changes				
Other operating cashflows	(17)	(23)	(121)	(0)
Investing	**(354)**	**(150)**	**(100)**	**(80)**
Capex (growth)	(219)	(150)	(100)	(80)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(135)	0.0	0.0	0.0
Financing	**337**	**105**	**65**	**49**
Dividend payments	(5)	(5)	(5)	(5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	225	170	130	114
Loan repayment	(60)	(60)	(60)	(60)
Others/interest paid	177	0.0	0.0	0.0
Net cash inflow (outflow)	**60**	**40**	**33**	**94**
Beginning cash & cash equivalent	**142**	**205**	**250**	**222**
Changes due to forex impact	70	44	45	46
Ending cash & cash equivalent	**132**	**290**	**262**	**361**

KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	24.1	21.1	18.2	17.5
Pre-tax margin	13.3	8.9	7.2	7.4
Net margin	11.8	7.0	5.6	5.8
ROA	4.4	3.1	2.7	2.9
ROE	10.9	7.8	7.4	8.7
Growth				
Turnover	25.4	34.8	30.5	21.6
EBITDA	33.6	18.3	12.7	16.8
Pre-tax profit	271.5	(10.4)	5.5	26.1
Net profit	1,008.1	(19.7)	4.3	25.4
Net profit (adj.)	172.7	0.4	4.3	25.4
EPS	115.6	0.4	4.3	25.4
Leverage				
Debt to total capital	81.5	58.6	75.0	70.9
Debt to equity	103.2	103.5	113.4	121.5
Net debt/(cash) to equity	97.9	96.7	107.3	116.0
Interest cover (x)	6.7	4.4	4.2	3.6

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